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NYS HCR TERM SHEET
OFFICE OF STATEWIDE ASSET MANAGEMENT
REFINANCING AND ASSUMING SUBORDINATE HTFC/HFA DEBT WITH OR WITHOUT AN OWNER DISTRIBUTION COMPONENT

This term sheet does not constitute an offer and is solely for discussion purposes. This term sheet shall not be construed as creating any obligations on any party whatsoever and shall not be binding on any party unless the conditions contained herein are satisfied and the terms of the proposed refinance are contained within definitive documents which are negotiated, executed, and delivered in connection with the closing of such loan.

Eligible Uses	Substantial rehabilitation, moderate rehabilitation, and/or to improve the cash-flow of site-specific multi-family rental housing currently under a regulatory agreement with HTFC, HFA or DHCR including hard and related soft costs. Owner distributions, LP Exit Fees (as required under the LP agreement), payoff of existing mortgage debt, closing costs, immediate repair needs, capital reserves included in the refinancing may be acceptable with a proforma 20-year operating budget demonstrating that annual increases of a minimum 2% per annum in operating income shall be sufficient to meet the new debt service obligation.
Eligible Applicants	**HTFC/HFA** financed multi-family affordable housing projects. Original funding programs include, but are not limited to: Low-Income Housing Trust Fund; Homes for Working Families; HOME; HCR Rural and Urban Community Investment Fund, etc.
Area Median Income Restrictions	Low-income households as set forth in the existing HTFC/HFA/DHCR Regulatory Agreement. Modification to accommodate a greater percentage of units at a lower Area Median Income may be considered to the extent economically feasible. In the event a new allocation of tax credits is one of the sources of the restructuring, the Average Income Test election may be considered.

Conditions	• Projects using loan proceeds for physical repairs/replacement and/or <u>any</u> payment to a Partner must obtain an Integrated Physical Needs Assessment Standard (IPNA) that demonstrates imminent needs within a ten -year period. HCR reserves the right to accept a 3rd party engineers report under limited circumstances such as for properties under 20 units. • Sources and uses of the loan proceeds must be submitted to HCR. • LIHTC projects beyond the initial 10-year compliance period shall have an IPNA (or 3rd party engineers report) prepared to ensure the financial and physical long-term affordability of the project is benefitting from the proposed refinancing. Additional information on the IPNA assessment tool and the template for completing the IPNA can be found at: https://hcr.ny.gov/sustainability-guidelines • Projects at risk of losing their affordability status. • Minimum capital repairs replacement reserve capitalization up to $1,000 per unit if existing balance is currently below the $1,000 threshold or 50% of the IPNA 10-year capital needs identified by the IPNA.

	• Repairs/replacement must meet the standards of the current version of the HCR design guidelines to include green building standards, energy efficiency, accessibility. • Please note that it is agency policy that all project specific reserve accounts must remain with the project and be transferred to either the new lender or designated project account upon closing. • Agency held reserve for replacement escrow accounts stay with the project and will be transferred to the new lender upon closing. • Transactions that include a payment to the Limited Partner will be considered cash-neutral only if the payment to the Limited Partner reflect the terms set forth in the Partnership Agreement. Applicant must provide the Partnership Agreement and calculation of the payment to the Limited Partner to HCR for review. **<u>Exceptions:</u>** • Projects in default and/or with uncorrected IRS Form 8823s may not be eligible unless the refinancing is designed to correct the physical non-compliance. • Cash out (if any) shall be held in escrow until the project has cured the non-compliance to the satisfaction of HCR. • Similarly, exigent health and safety items identified in the IPNA must be corrected prior to the release of cash out funds held in escrow. • Cash out may be released if the reserves are adequately capitalized to address non-compliance and/or exigent health and safety items. • Cash Neutral transactions- which are limited to fund payoff of existing mortgage debt, closing costs, and LP 15-year exit costs required under the partnership agreement- will not be subject to IPNA requirements.

Regulatory Agreement Requirements	Replacement reserves capitalized and/or annual funding set at a level approved by HCR to account for 10-year capital needs identified in IPNA. Operating Reserve requirements set at 3% of the annually budgeted gross rent. Should the first position lenders reserve requirements conflict, their terms shall prevail to avoid duplication of deposits. Any existing right to request a Qualified Contract will be waived by the owner and removed from the existing Regulatory Agreement.
Term	Minimum of additional 20 years of regulation from original date of closing or may extend through the new mortgage period in combination with cash-out refinances and changes in ownership.
Application Fees	**HTFC Fees:** $1,000 at refinancing package submission. $6,000 payable at closing. **HFA Fees:** $7,000 Due diligence/application fee. $5,000 Rebate calculation fee. $5,000 Bond Counsel fee. For 4% bond redemptions-loan assignments and assumptions please refer to the HFA regulatory agreement regarding applicable fees.

	Assignment of the existing NYSHCR/ HFA mortgage to a new lender. Agency policy is to charge half of the mortgage recording tax for the County in which the Project is located. ** Please be advised this may not be inclusive of all the applicable fees as outlined in HCR's loan documents and regulatory agreements.
Monitoring Fees	As outlined in the Tax Credit Regulatory Agreement/ Mortgage and Security Agreement or comparable to the current mortgage servicing fee (HFA projects only), if applicable. One-year upfront monitoring fees must be paid at closing – HFA projects only.
Interest Rate and Loan Terms	HCR's preference is for the HTFC subordinated debt to have a 0.5% interest-only hard payment during the construction and permanent periods. **For projects with existing soft pay subordinate debt, the owner may request switching to interest-only payments.** HCR will also allow pre-payment of the balance of interest through the term or bifurcation to meet LTV lender requirements. Requests to waive hard debt will be evaluated on a case-by-case basis and are at HCR's discretion. Waivers can be expedited in cases where the first position lender has determined the LTV does not support conversion to hard debt. Example: Freddie Mac/Fannie Mae transactions. Waivers will not be required for Cash Neutral transactions.

HCR retains the right to revise this term sheet from time to time and to waive any requirement contained therein, subject to the applicable statutes and program regulations. HCR also retains the right to not approve refinancing under this program. All proposals must comply with all applicable federal, state, and local laws.